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Mr. Charles Shulock
Director, Office of Climate Change
Air Resources Board
1001 I Street
Sacramento, CA 95814

Dear Mr. Shulock:

Re: Draft Policy Statement on Voluntary Early Actions to
Reduce Greenhouse Gas Emissions

Sempra Energy submits the following comments on the Draft Policy Statement on Voluntary Early Actions to Reduce Greenhouse Gas Emissions circulated for public comment on February 6, 2008. Sempra Energy strongly supports the staff's effort to take steps to support and encourage voluntary early action to reduce greenhouse gas emissions. Sempra Energy utilities, San Diego Gas & Electric (SDG&E) and Southern California Gas Company (SoCal Gas) and their ratepayers have made investments in energy efficiency, demand response, renewable resources and modern gas fired combined cycle projects for many years. These investments have already produced substantial emission reductions so that Sempra Energy's overall carbon intensity is relatively low.

In addition, and as you know, Sempra Energy utilities have submitted a number of proposals for further actions to reduce green house gas (GHG) emissions in their Climate Action Initiative filed with the California Public Utilities Commission on August 31, 2007. This initiative includes proposals in the areas of Clean Energy Facilities, Clean Transportation, Utility Clean Fleet, Facilities and Infrastructure, and Customer Assistance Programs. Together, these actions have the potential to generate substantial additional GHG emissions reductions from our operations and from the use of natural gas and electricity by our customers. Sempra Energy supports adoption by the Air Resources Board of policies that encourage and reward these kinds of voluntary actions.

The following comments are offered to improve the clarity and scope of the proposed draft.

- **Crediting Prior Actions**

The draft policy does not attempt to provide details concerning how far back in time credit could be given or the means of providing credit. The sooner these specifics can be established, the sooner potential investors in early action projects will be comfortable making these investments. The policy to be adopted by the Board, should allow crediting for actions that have already been taken and those that could be undertaken prior to effectiveness of regulations under AB32. Further, it should acknowledge that different approaches to providing “credit” for voluntary action may be appropriate. Credit for prior action could be given in the design of direct regulation and cap and trade, and not just through creation of offsets. For example, a required reduction may be defined in carbon intensity terms rather than percentage reduction, as acknowledged in the policy. As contemplated by the policy, further details should be included in the draft Scoping Plan. These should be covered in a workshop prior to release of the plan. To clarify the draft policy, we suggest the following edits on pages 1 and 2 of the policy:

Page 1: “Emission reduction actions taken on a voluntary basis, prior to or during implementation of ~~while the program to implement~~ AB 32, will aid the State in meeting this goal.”

Page 2: “The Board will later determine the appropriate credit to be given for voluntary early actions and the conditions under which voluntary reductions may be used to comply with mandatory requirements. Credit for prior action could be given in the design of direct regulation and cap and trade, as well as through creation of offsets.”

Sempre Energy strongly supports statements in the policy regarding not penalizing companies that have previously reduced emissions. It would be unfair to adopt an

equal percentage for all covered entities in the electricity sector where some have taken actions, at any point in the past, that have had the effect of reducing their GHG emissions. Because incremental emission reductions become increasingly more expensive as the emissions profile of any individual covered entity is reduced, an equal percentage mandate for all covered entities would impose the greatest cost and the greatest burden on those with the lowest emissions, without regard to when actions were taken to reduce those emissions. This is contrary to the intent of AB32 and would serve to punish, and impose the greatest burden, on those with the lowest emissions rather than rewarding this behavior.

- **Applicability of Offset Criteria**

The policy states that the Scoping Plan shall:

- “· Encourage and reward voluntary reductions of greenhouse gas emissions;
- Ensure that companies are not disadvantaged because they have voluntarily reduced their greenhouse gas emissions; and
- Ensure that any ~~credits or~~ offsets provided for voluntary early actions are based on emission reductions that are real, permanent, quantifiable, verifiable, and enforceable.”

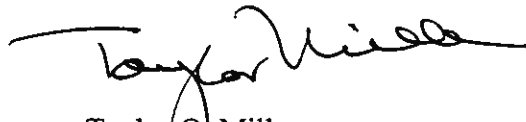
Sempra Energy supports this language but suggests the above edit to the third bulleted statement. The language of this bullet is based upon section 38565(d) of AB32. The first two bullets are based upon sections 38562(b)(1) and 38562((b)(3). The language in the third bullet is appropriately used in reference to offsets, but to include the same requirements for other types of credits is not appropriate, since this would effectively read the other two sections out of the act. We do not believe AB32 was intended to ignore differences in the current emissions baseline because these emissions may not meet the requirements applicable to creation of offsets.

- **Voluntary Early Action Protocols.**

We are aware that ARB staff is developing a request for protocols to quantify voluntary early GHG reduction projects. We support this effort and will work with staff concerning the technical design of such protocols. However, we do not believe projects submitted pursuant to such a protocol should be the exclusive means for ARB to recognize and credit early action as it designs implementing direct and cap and trade regulations for AB32.

Thank you for providing an opportunity to comment on the draft policy.

Sincerely yours,



Taylor O. Miller